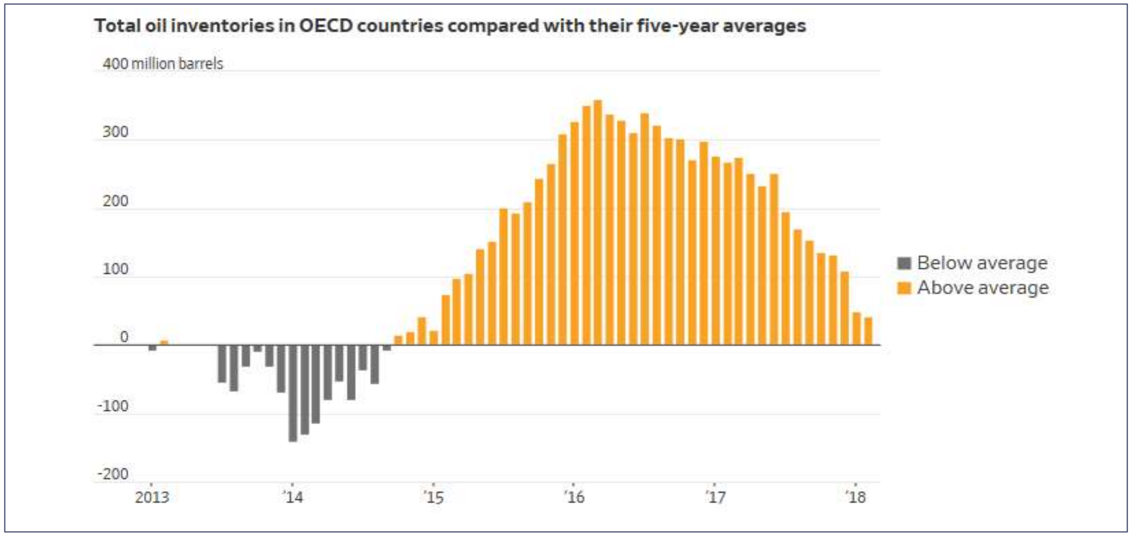
Market Recap

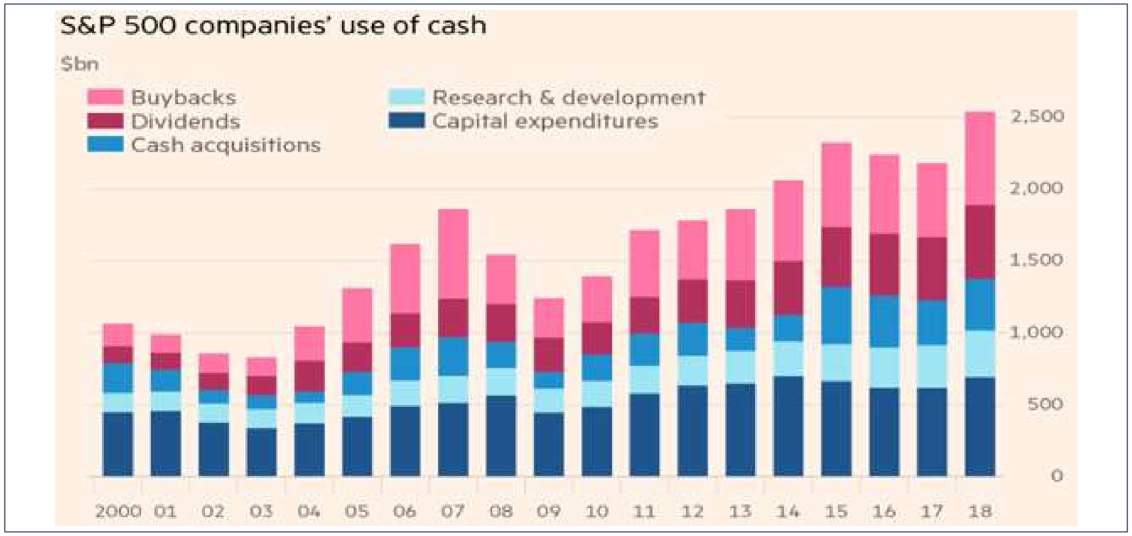
Rebalancing Crude Oil Supply



Source: OPEC

Stronger global growth has boosted demand for crude oil, while production cuts imposed by OPEC member states have gradually curbed excess supply. As a result, crude prices have steadily increased to nearly $70 per barrel, up 15% year-to-date and up more than 120% since prices bottomed in early 2016. In the latter stages of the business cycle, it's not unusual for commodity prices and inflation to accelerate as the economy continues to strengthen. Persistently high oil prices eventually push inflation higher and reduce consumer purchasing power. Higher inflation also erodes corporate profitability, which weighs on stock market performance. However, given the ongoing renaissance of the U.S. as an energy superpower, higher oil prices may spur increased production by U.S. shale producers and thereby limit (or slow) further price gains.

Tax Reform Has Muted Effect on Capital Allocation



Source: Goldman Sachs, Financial Times

U.S. companies are buying back shares and declaring dividends at an aggressive pace, raising questions about the impact recently enacted tax cuts will have upon economic growth over a longer-term time horizon. The corporate rate cuts, combined with investment incentives included in the bill, were intended to spur business spending and reinvestment, leading to higher workforce productivity and wage increases. However, it remains unclear whether any significant shift in corporate investment is likely to occur. While the absolute amount of money spent on capital expenditures, research and development, and M&A has increased due to the influx of cash, the percentage of corporate cash allocated to those categories is estimated to drop from 56% in 2017 to 54% in 2018. Without a change in capital allocation incentives, it's unlikely that the tax bill will have the desired impact on economic growth once the initial benefits of lower taxes have faded.

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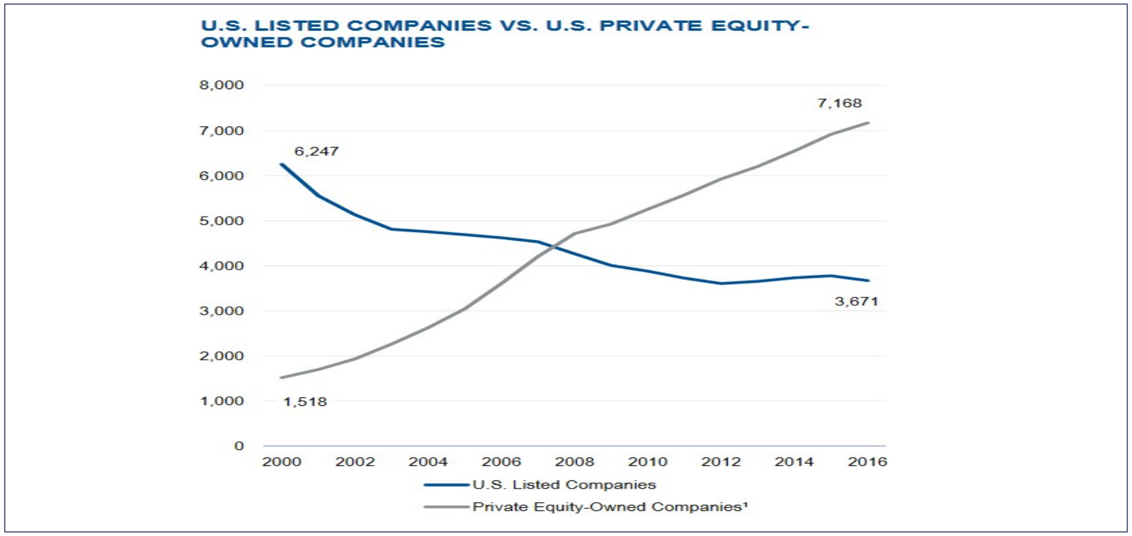
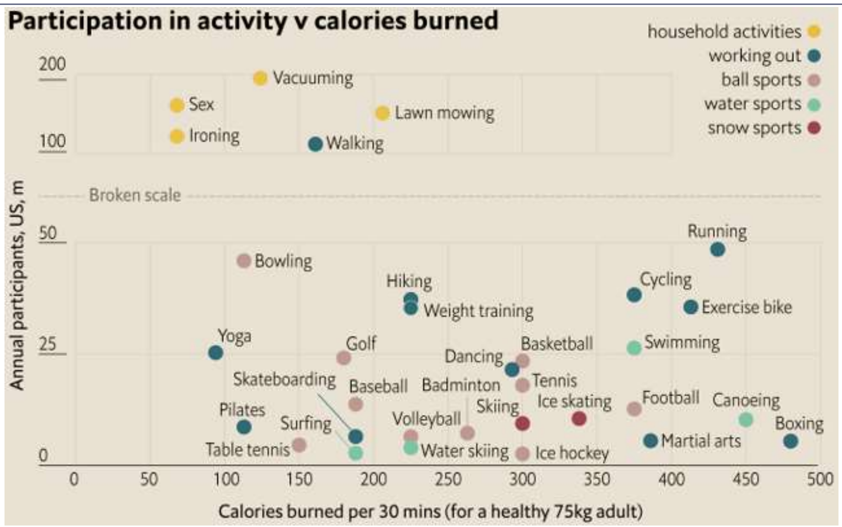
Trends in Ownership: Public vs. Private Companies



Source: Neuberger Berman

Over the past 20 years, developments in the U.S. corporate sector have led to an increasing number of private equity-owned corporations. In 2000, at the peak of the Dot-Com Bubble, the number of publicly-traded companies exceeded privately held ones by a ratio of approximately 4:1. While the total number of corporations has remained steady over time, underlying ownership trends have reversed in recent years as the number of private companies has surpassed that of their publicly traded brethren. This increasing preference to remain out of the spotlight is attributed to a variety of factors, including the regulatory burden associated with being a public company, the maturation of the private equity industry as a provider of capital, and the freedom of management to truly focus on the longer term.

Different Activities Provide Different Results



Source: The Economist

The British Heart Foundation recently released estimates comparing various activities and the number of calories one burns when participating in those activities. Predictably, active sports like boxing, football, jogging, swimming and cycling lead the way when it comes to calories burned per half hour. The more surprising revelation may be that canoeing, a seemingly low intensity endeavor, actually burns more calories than all sports save boxing. Yoga and Pilates, two activities that have been gaining popularity as alternative exercise methods for those seeking to increase flexibility and muscle tone, come in near the bottom of the pack with regards to caloric burn (ahead of just ironing and sex). Interestingly, there doesn't appear to be a strong correlation between the efficiency of a given exercise and the participation rate.

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